

AMENDED IN ASSEMBLY MAY 26, 2006

AMENDED IN ASSEMBLY APRIL 17, 2006

CALIFORNIA LEGISLATURE—2005–06 REGULAR SESSION

## ASSEMBLY BILL

**No. 2942**

---

**Introduced by Assembly Member Koretz**

February 24, 2006

---

An act to amend Section 5318 of the Labor Code, relating to workers' compensation.

### LEGISLATIVE COUNSEL'S DIGEST

AB 2942, as amended, Koretz. Workers' compensation: inpatient burn diagnoses: ~~reimbursement~~. *reimbursement review*.

Existing law establishes a Workers' Compensation system, administered by the Administrative Director of the Division of workers' compensation, to compensate an employee for injuries sustained in the course of his or her employment. Existing law requires that implantable medical devices, hardware, and instrumentation for specified Diagnostic Related Groups (DRGs) be separately reimbursed in accordance with a prescribed formula.

This bill would ~~require that inpatient burn DRGs 504 to 511, inclusive, be separately reimbursed at a rate of 120% of estimated facility costs, as specified. These provisions would be operative only until the administrative director adopts an alternative reimbursement methodology for inpatient burn DRGs. The bill would authorize the administrative director, in consultation with the Commission on Health and Safety and Workers' Compensation, to review the components of the reimbursement for those DRGs, as needed.~~ *declare the intent of the Legislature that the administrative director review the*

*reimbursement rates for certain inpatient burn DRGs to ensure that these rates are commensurate with the cost of inpatient burn treatment. It would also provide that, if the administrative director completes that review, the administrative director shall report his or her findings to the Legislature by April 1, 2007.*

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     SECTION 1. (a) *It is the intent of the Legislature that the*  
2     *Administrative Director of the Division of Workers'*  
3     *Compensation review the reimbursement rates for inpatient burn*  
4     *diagnostic related groups (DRGs) 504 to 511, inclusive, to*  
5     *ensure that these rates are commensurate with the cost of*  
6     *inpatient burn treatment.*

7     (b) *If the administrative director completes the review*  
8     *described in subdivision (a), the administrative director shall*  
9     *report his or her findings to the Legislature by April 1, 2007.*

10    SECTION 1. ~~Section 5318 of the Labor Code is amended to~~  
11    ~~read:~~

12    ~~5318. (a) (1) Implantable medical devices, hardware, and~~  
13    ~~instrumentation for Diagnostic Related Groups (DRGs) 004, 496,~~  
14    ~~497, 498, 519, and 520 shall be separately reimbursed at the~~  
15    ~~provider's documented paid cost, plus an additional 10 percent of~~  
16    ~~the provider's documented paid cost, not to exceed a maximum~~  
17    ~~of two hundred fifty dollars (\$250), plus any sales tax and~~  
18    ~~shipping and handling charges actually paid.~~

19    ~~(2) This subdivision shall be operative only until the~~  
20    ~~administrative director adopts a regulation specifying separate~~  
21    ~~reimbursement, if any, for implantable medical hardware or~~  
22    ~~instrumentation for complex spinal surgeries.~~

23    ~~(b) (1) Inpatient burn Diagnostic Related Groups (DRGs) 504~~  
24    ~~to 511, inclusive, shall be separately reimbursed at a rate of 120~~  
25    ~~percent of estimated facility costs. Facility costs shall be~~  
26    ~~estimated using the cost-to-charge ratio calculated using the most~~  
27    ~~recent edition of the Medicare operating cost-to-charge ratio and~~  
28    ~~the Medicare capital cost-to-charge ratio. This ratio shall be~~  
29    ~~applied to the billed charges.~~

1     ~~(2) This subdivision shall be operative only until the~~  
2     ~~administrative director adopts a regulation specifying an~~  
3     ~~alternative reimbursement methodology for inpatient burn DRGs.~~  
4     ~~The administrative director, in consultation with the Commission~~  
5     ~~on Health and Safety and Workers' Compensation, may review~~  
6     ~~the components of the reimbursement for DRGs 504 to 511,~~  
7     ~~inclusive, as needed.~~

O